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Elgin County

Agri-food Business Expansion and Retention Study

November 2012

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1 Introduction

The County of Elgin has recently completed an Economic Development Strategy for the period 2011 – 2014. The strategy considers the structural changes taking place in the broader provincial, national and global context and prepares Elgin County for a new approach to economic development. While the manufacturing sector has been on the decline, creative industries and enterprises – those operations where people and knowledge are the factors of production, are on the rise. Within this context, the strategy provides a fresh look at the County's traditional sectors. Agriculture is one of the County's most prominent sectors, both in terms of employment and total number of businesses and responsible for employing over 10% of the County's labour force and constitutes nearly 20% of all local businesses. It is also key consideration in the development of Elgin County's creative rural economy.

One of the key recommendations in the strategy was the development of a Business Retention and Expansion (BR+E) program. This study is a direct outcome of that recommendation. It is the first step towards improved communications and fostering a better and deeper relationship with the local businesses. This study has been designed to allow for a more complete understanding of the challenges and opportunities inherent to the County's Agriculture and Agri-food sector. This information is vital to the strategic allocation and mobilization of resources to support the retention and expansion of this sector and in the attraction of future businesses.

The timing of this study is also significant as follows on the heels of a global recession. In the wake of deflated commodity prices, this study highlights the strength and resilience of the County's agricultural sector. To that end, over half of those businesses surveyed for this study indicated that they have plans to expand or renovate in the next three years.

Over the long term, the BR+E program will provide an understanding of the level of support required by these businesses and answers questions related to the size of parcels needed, level and type of infrastructure services and proximity or access to other support services activity.

1.1 Summary of Key Findings

In providing an understanding of the challenges and opportunities facing the region's agri-food businesses the County of Elgin oversaw the survey of 57 operations, with the majority of these operations located in Bayham, Central Elgin and Southwold.

The following discussion highlights the key findings that emerged from the survey results.

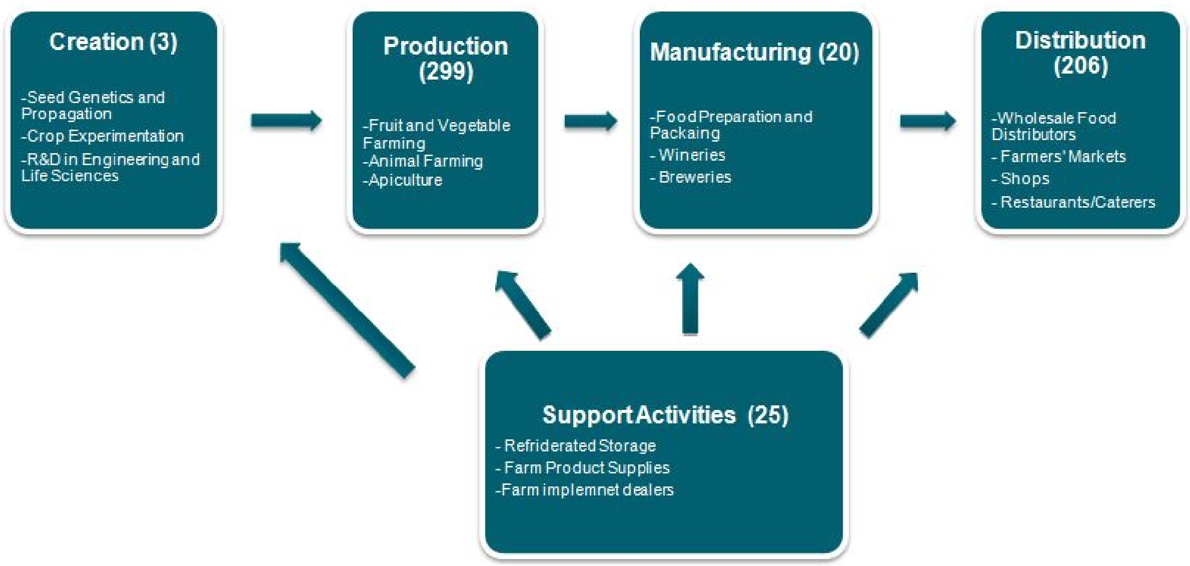
- Within the Agri-food sector, food production and distribution comprise the bulk of the businesses surveyed; 91% of these businesses are headquartered in Elgin County, and are family owned.

- Of those surveyed, one third of all respondents indicated that they have no succession plan, business plan, or marketing plan in place for their operation. A similar proportion admitted to not having a financial plan for their business.
- Many of the respondents have been operating in the area for more than 35 years. Only one quarter of those surveyed had been farming in Elgin for less than 10 years. While the sector is seen as being relatively stable, the high percentage of 'older' farming operations coupled with the lack of succession planning suggests a need for greater support for business planning in the County's agri-food sector.
- Nearly 80% of respondents surveyed consider Elgin County a good or excellent place in which to do business.
- Over half of those businesses surveyed are positive about their future, with 29 businesses planning expansion or renovation in the next three years. Three quarters of these businesses noted 'increased demand' as the reason for their expansion. Over half of these, 29 businesses, are located in Central Elgin and Southwold.
- To that end, over half of businesses reported increased sales in the past year. The same number expected sales to increase in the next year. Only 14% indicated a decline in sales over the last year.
- In terms of barriers to expansion, some participants requested information about government grants while others said that finding suitable and available land within the County is difficult.
- Respondents also suggest that 'tax burdens', 'volume requirements by customers' and 'marketing support' were the primary barriers to market access.
- Half of all the companies surveyed expressed interest in the diversification of their business to include value added processing. The most commonly cited forms of assistance required to pursue value added processing include: securing funding, conducting market research and developing a marketing plan.
- The creation of a local food distribution network also received broad based support from survey participants.
- To support the growth of the County's Agri-food sector, participants requested 'improved permit and regulatory approval processes', 'marketing programs' and 'municipal agricultural support'.
- Approximately one third of respondents reported Elgin County as a primary source for information or support. Similarly, 28% of respondents listed the Elgin Business Resource Center as a primary source for information or support.
- The majority of respondents indicated that the local workforce was good or excellent in terms of meeting their operational needs. Only four businesses surveyed indicated using the Temporary Foreign Workers Program.
- Overall interest in training opportunities for business owners and their employees was rather limited. Those few areas of interest include 'health and safety and WHMIS/WSIB training', 'sales and marketing' and 'quality assurance'.
- Primary disadvantages of doing business in the County include "extremely high taxes on agricultural land" and high development costs.

2 Project Organization, Data Analysis and Methodology

This report summarizes the results of interviews with 57 agri-food businesses across the County of Elgin. The businesses selected were representative of Elgin County's agricultural value chain, as shown in Figure 1. The value chain ranges from crop research and experimentation to the sale of food through farmers' markets, specialty shops and local food restaurants. Figure 1 also shows the number of businesses, operating in Elgin County, within each category. For example, as of 2011 there were 299 businesses engaged in various production activities.

FIGURE 1: AGRICULTURE VALUE CHAIN



Source: County of Elgin: Economic Development Strategy and Action Plan 2011-2014.

The interviews were typically conducted by municipal staff, with a limited number of surveys completed online without the assistance of municipal staff. The surveys were conducted between June 22, 2012 and November 30, 2012.

The Business Visitation Survey is a tool used to gather information from businesses in the County of Elgin with the intention of discerning the critical issues relevant to business retention and expansion.

The survey was structured to identify issues in key areas such as:

- Business Climate
- Future Plans (downsize, relocate, expand/renovate, close)
- Business Development

- Markets
- Finances
- Workforce Development
- Training
- Local Community Advantages and Disadvantages

Within these key areas there are 68 detailed questions that are summarized in the next section and cross-tabulated[1] to better understand survey responses. The survey tool used for analysis was Microsoft Excel. The survey tool was designed by the County's consulting team to be an easy-to-use template that would facilitate data entry, as well as data analysis. The style of questions included were a combination of qualitative and quantitative.

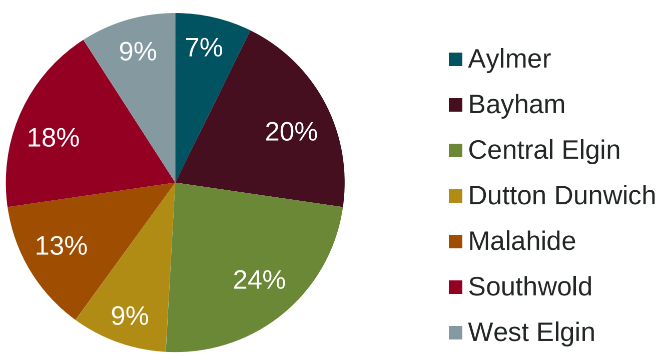
[1] Cross-tabulation refers to the investigation of one question based on the response of another question.

3 Survey Findings

3.1 Company information

This section presents responses to questions asked in the Company Information portion of the survey. Efforts were made to gain results from across the County taking into consideration the distribution of farm operations. Figure 1, illustrates the total percentage of businesses surveyed by location. The majority of operations surveyed were located in the Bayham, Central Elgin and Southwold, yet the geographical distribution of these operations speaks to the widely dispersed nature of this sector across the County.

FIGURE 2: PARTICIPANT OPERATIONS BY LOCATION



Within the Agri-food sector, food production and distribution comprise the bulk of the businesses surveyed with 69% and 21% respectively. Despite this concentration of activities, the County is home to businesses that are involved with every aspect of the agri-food value chain. This chain begins with seed creation and research and development, followed by production, processing (manufacturing), and eventual distribution. The sector is also supported by a range of activities including storage, and equipment suppliers.

FIGURE 3: TYPES OF AGRI-FOOD BUSINESSES

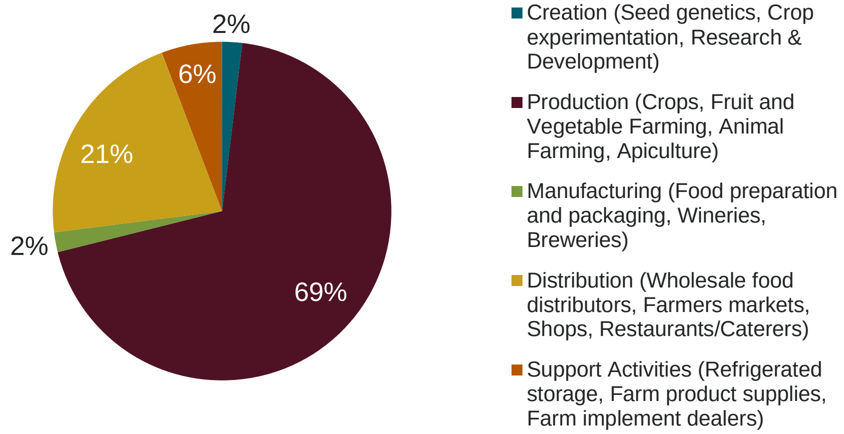


FIGURE 4: MAIN PRODUCTS OR SERVICES PROVIDED BY COMPANY

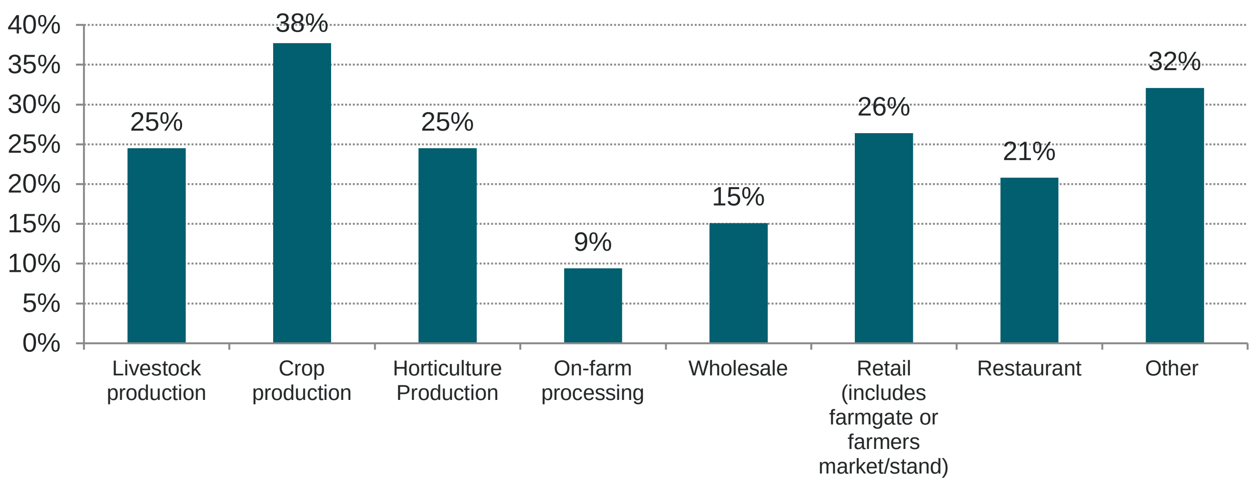
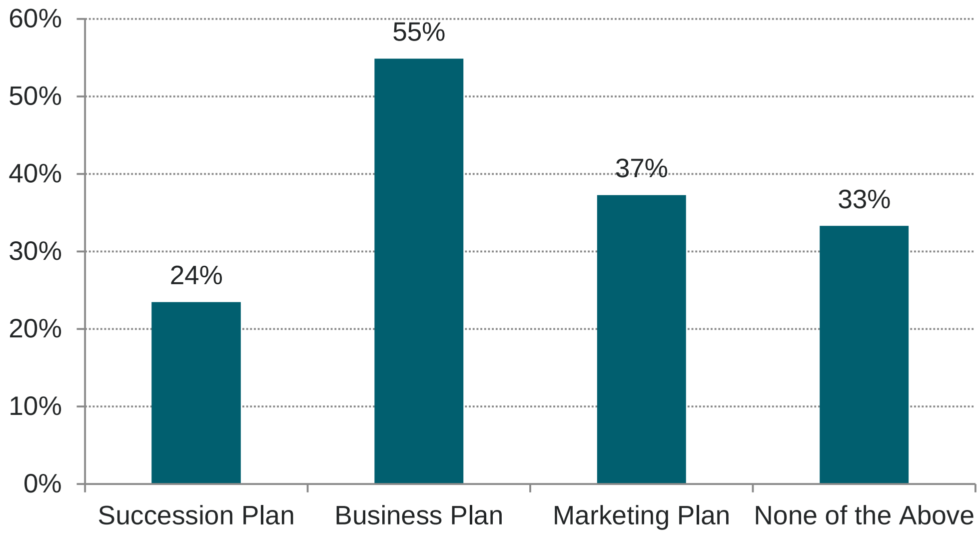


Figure 4 further describes the specific types of goods and services offered by the County's agri-food sector. Reflecting the County's strength in production, 87% of respondents indicated that they were involved in some type of agricultural production. More specifically, 25% of respondents are involved with livestock production, 38% in crop production, and 25% in horticulture production. A considerable portion of these producers also engage in retail activities with 26% indicating that they participate in farm gate, a farmers market or have a road side stand. A further 21% of businesses were restaurants while processing and wholesale activities had less representation in the sample.

Out of the 54 businesses that responded, 87% reported that the owners of these businesses reside in Elgin County, with 91% of these businesses headquartered in

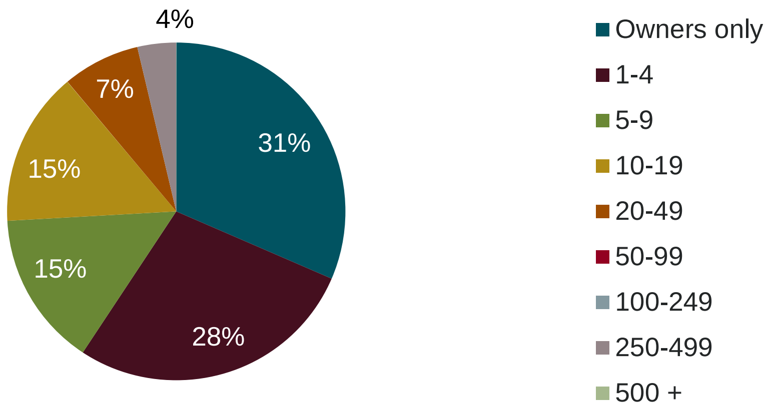
Elgin County, and family owned. The majority of businesses (74%) only have one location with the remainder indicating multiple farm locations, with few located outside of the County. This suggests a high degree of local influence over these businesses. Business decisions are made in Elgin County, which increases the ability of the County to work with these operators to achieve their business goals.

FIGURE 5: PERCENT OF BUSINESSES WITH A STRATEGIC PLAN



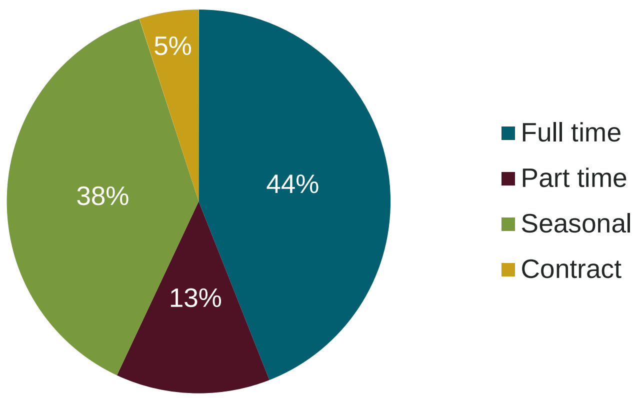
While Elgin's Agri-food sector is dominated by producers, many of these same operators do not appear to be thinking long term about their operations. One third of all respondents indicated that they have no succession plan, business plan, or marketing plan in place. In fact, even some of the County's largest employers fall into this category. Only 24% of respondents indicated that they have a succession plan in place; while a few more businesses have a marketing plan (37%). Just over half of all businesses surveyed do have a business plan. Many of the qualitative comments collected in response to this question, suggest that succession planning and marketing are in fact priorities for local agri-businesses. There may be an opportunity for the County to support this segment of the local economy through the development of targeted workshops and reference materials.

FIGURE 6: PERCENT OF EMPLOYEES (FULL TIME EQUIVALENT) THAT WORK AT THIS LOCATION CURRENTLY (IN ADDITION TO THE OWNERS)



Most of the businesses surveyed are small businesses. Results showed that 48 of the 54 businesses have fewer than 20 employees. Two businesses indicated that they have between 250 and 499 employees. The reporting businesses also represent a mix of employment types. Smaller operations typically utilize full time employees. As operations increase in size, particularly those involving labour intensive farming, the share of employment shifts towards seasonal or contract based employment. Figure 7 shows the reported percentage breakdown of the types of employment by operation. Note that this figure reflects reported percentages by company, and are therefore, not reflective of real employment numbers.

FIGURE 7: PERCENTAGE OF LABOUR TYPES BY BUSINESS



The businesses surveyed show considerable variation in terms of their size and scale of operation. The geographic size of these businesses is directly related to the type of goods and services they provide. Accordingly, the size of these businesses is presented in two categories. The first category encompasses retail operations and restaurants while the second category includes production farms, wholesale operations, processing and other support activities (Wholesale operations).

Of the 38 responses, 14 businesses operate in the retail space while 24 are wholesale operations. Eight of these 38 businesses were involved in both retail and wholesale operations so their responses we counted in each category. As an example, this occurs when a respondent operates a production farm, but also operates a roadside produce stand.

As shown in Figure 8, five of the 14 businesses indicated that their space was under 5,000 square feet. The remaining retail businesses were all larger, with their distribution even across the remaining size classifications. In terms of the wholesale operations, the majority of businesses were larger than 5 acres. Once again, these businesses were well distributed across the size classifications with at least two businesses in each category.

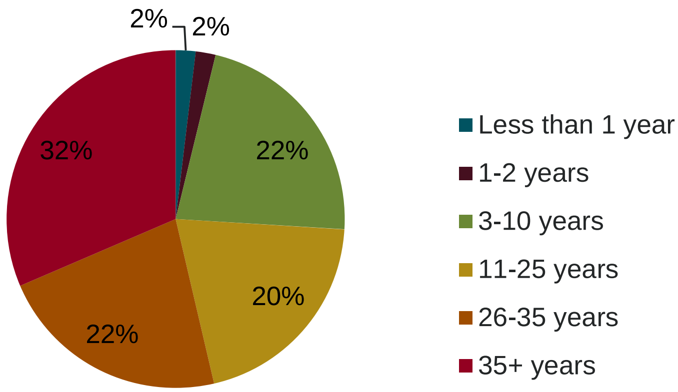
FIGURE 8: CURRENT SIZE OF BUSINESSES BY CATEGORY

	Retail Operations	Wholesale Operations
Less than 5000 sq ft	5	2
5000-10 000 sq ft	1	1
10000-20 000 sq ft	1	0
Less than 5 acres	1	1
5 - 10 acres	2	3
10-50 acres	1	3
50-100 acres	1	3
100-200 acres	1	2
200-500 acres	1	4
More than 500 acres	0	5
Total number of Businesses	14	24

3.2 Business Climate

This section presents responses to questions regarding the business climate in Elgin County. The survey results captured a broad cross section of operators, many of whom have been actively farming in the area for more than 35 years. Of interest however, is the fact that 26% percent of those surveyed had been doing so in Elgin for less than 10 years (Figure 9). While in general these results suggest the relative stability of the sector, the high percentage of farmers that have been operating in Elgin County for more than 35 years suggest a need to understand the succession plans for these farm operations.

FIGURE 9: PERCENTAGE OF YEARS THE BUSINESS HAS BEEN IN OPERATION IN ELGIN



An overwhelming 79% (Figure 10) of the respondents consider Elgin County a ‘good’ or ‘excellent’ place in which to do business. Several participants voiced concerns about the cost surrounding building permits and the process of severing lots from their farms. This presents an obstacle to business expansion as some farms require onsite residences for seasonal workers. Others described their discontent with the limited width of roads; as this limits the mobility of some farm equipment, particularly where farmers are managing and operating on non-contiguous tracts of farmland.

FIGURE 10: GENERAL IMPRESSION OF ELGIN COUNTY AS A PLACE IN WHICH TO DO BUSINESS

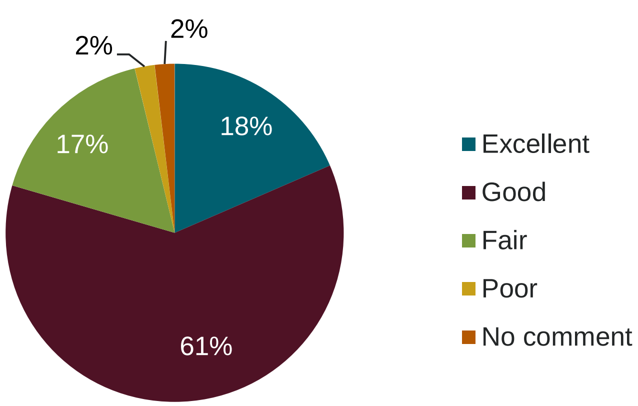
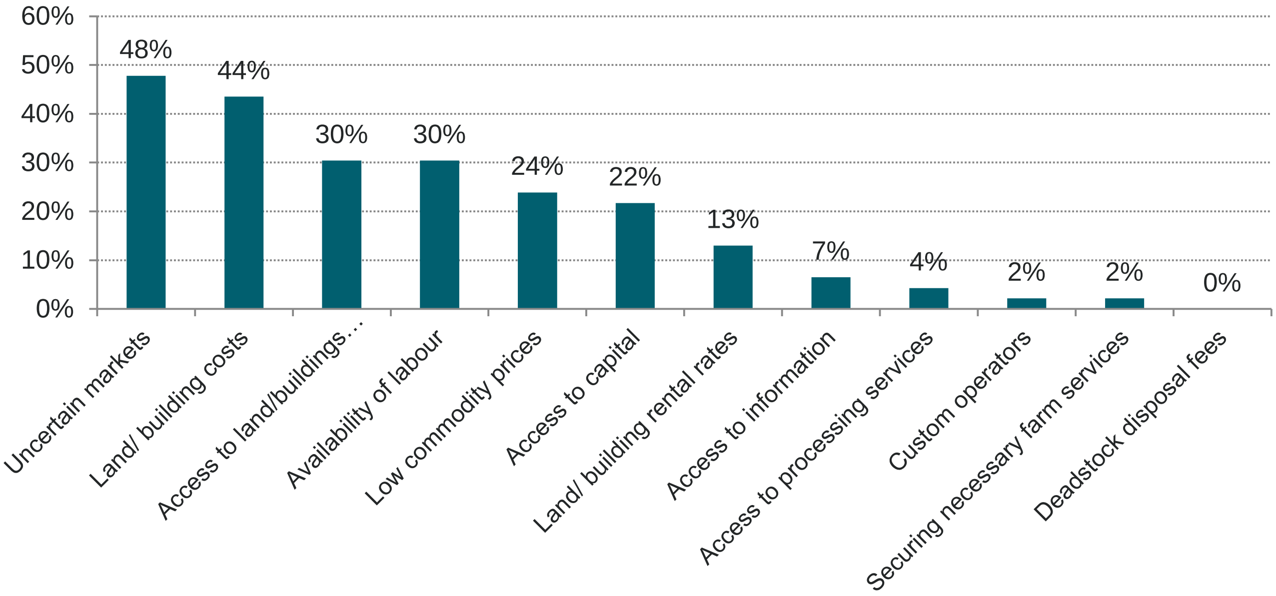


FIGURE 11: PERCENTAGE OF FACTORS WHICH ARE BARRIERS TO THE EXPANSION OF A BUSINESS



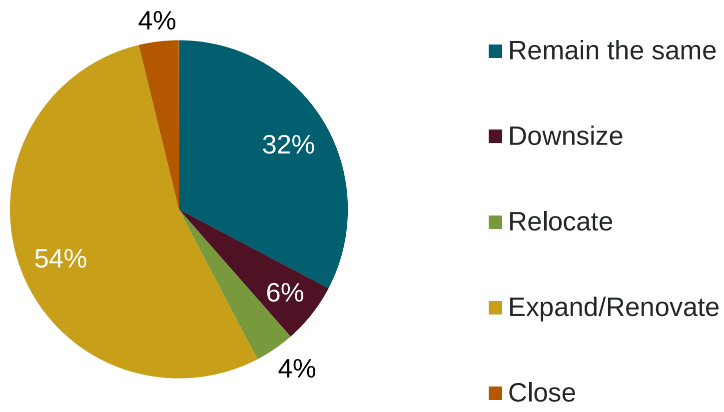
Most businesses indicated that the most significant barriers to expansion are tied to the unpredictability of the marketplace. Uncertainty is a powerful disincentive to investment. Local or regional governments, however, have little to no capacity to affect this business reality. Other commonly cited barriers to business expansion include, land/building costs (44%; aside from building permits), access to land or buildings (30%), availability of labour (30%) and low commodity prices (24%). Once again, these considerations largely fall outside of the County's sphere of influence. One in five (22%) respondents also listed 'access to capital' as a barrier to expansion. This is an area worth investigating as interest rates are at record lows.

Further comments highlighted the lack of high speed internet and the housing issue for temporary workers.

3.3 Future Plans

This section presents responses to questions regarding the surveyed businesses and their development plans in the next 3 years. Businesses surveyed are generally positive of their future with 29 businesses (54%) planning expansion or renovation. One third of businesses (32%) indicated that they have no plans for expansion or plan a reduction of their operations. Only three businesses (6%) reported that they intend to downsize from their current facility. Four businesses (8%) indicated they would be closing or relocating their business within the next 3 years.

FIGURE 12: PERCENTAGE OF PLANNED BUSINESS UNDERTAKINGS WITHIN THE NEXT 3 YEARS



3.4 Future Plans - Close

Two respondents have indicated plans to close their businesses in the next three years. Both of these businesses are small crop producing farms with 1-4 employees. The reason for closure/sale is directly attributed to the age of the business owners. The businesses have no wish to remain active and are therefore not requesting assistance in remaining open; although, one farmer would be interested in a crop share program.

3.5 Future Plans - Relocate

Two survey participants indicated plans to relocate their businesses in the next three years. These businesses have rather different motivations for moving. The first business is mature, operating in Elgin for over 25 years. It is a small horticultural production operation. The owner is 75 and ready to retire; consequently, the farm has been sold to a share grower in Norfolk County.

The second business has been in operation for less than a year. It is a small family run food manufacture with retailing and wholesaling operations. The business is moving within the County to gain greater access to labour. The owner requested assistance to identify a location that would suit their needs.

3.6 Future Plans – Downsize

Three businesses indicated their plans for downsizing in the next three years. Two of these businesses are production farms while the other is a restaurant. Each of these operations has less than 5 employees; the farms have been operating for over 25 years while the restaurant has been opened for less than 10 years. The family run restaurant is downsizing because the owner’s children have moved on and sales have suffered since the recession. The farms are downsizing because of lower commodity prices and the advanced age of the owners. This will result in a decrease in production and employment. One of the farms is planning on increasing their retail activities in place of production. These businesses have not requested assistance from the County.

3.7 Future Plans - Expand/ Renovate

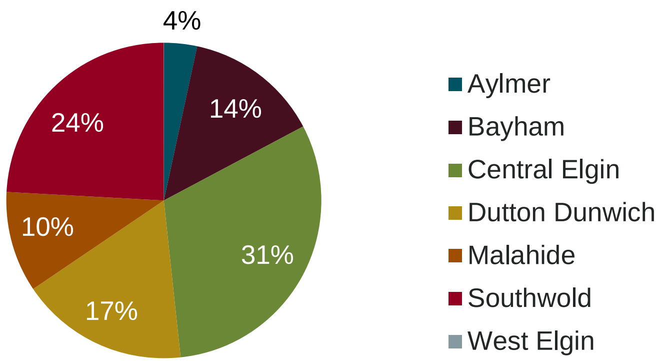
3.7.1 Business Profile

Of the businesses surveyed, 29 (54%) are positive about their future and are planning to expand or renovate in the next 3 years. With over half of the firms surveyed falling into this category, it will be important to develop a profile of these businesses before examining their expansion plans. Not surprisingly, a significant proportion of these businesses (86%) consider Elgin County a great or good place to do businesses. In general, there are no discernable differences between the characteristics of these 29 businesses and those in the broader sample. However, there are a number of observations that can be drawn from examining this subset of businesses.

Business Location

Figure 13 shows the location of the businesses that plan to expand or renovate within the County. These businesses are well distributed across the County with notable concentrations in Central Elgin (31%) and Southwold (24%).

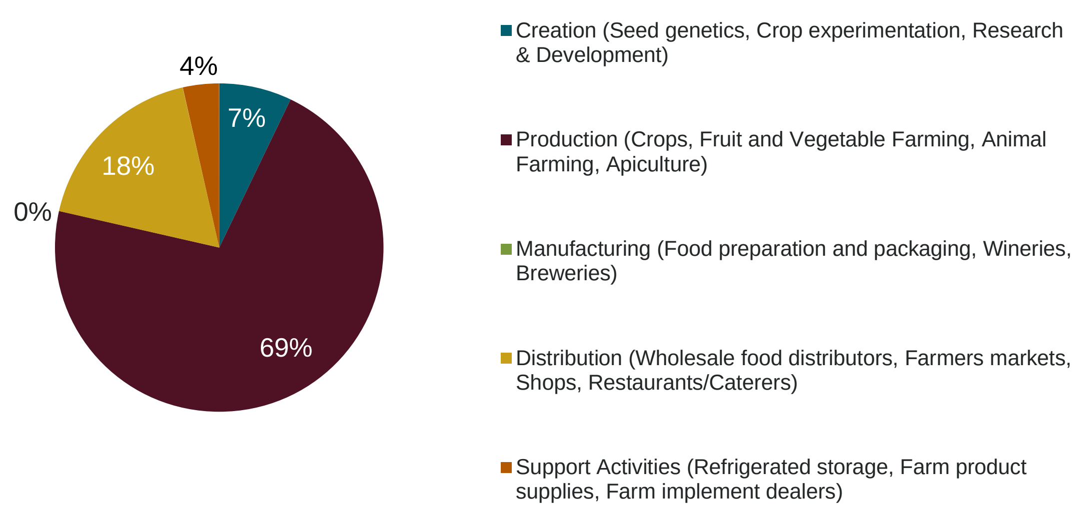
FIGURE 13: LOCATION OF THOSE BUSINESSES THAT PLAN TO EXPAND/ RENOVATE



Business Type

Figure 14 shows the types of businesses that are planning to expand or renovate. The proportional composition of these businesses is reflective of the broader sample of the entire study, with production and distribution business comprising the majority of the firms. This suggests that each subsector is growing at a similar rate. The one exception is food manufacturing. However, give the sample (1 respondent), it is difficult to draw conclusions.

FIGURE 14: TYPES OF BUSINESSES THAT PLAN TO EXPAND/ RENOVATE



Size by Land Area

Those businesses planning on expanding or renovating show considerable variation in terms of their size and scale. The businesses range from those smaller than 5,000 square feet to those larger than 500 acres. Of the 26 businesses that answered this question, 53% or 14 were over 100 acres in size. The remaining businesses were evenly distributed across the remaining categories, from 50-100 acres to less than 5000 square feet.

3.7.2 Examining Plans to Expand or Renovate

Reasons for Expansion or Renovation

Participant businesses cited a number of causal factors for choosing to expand or renovate. The majority of businesses (76%) noted ‘increasing demand’. ‘New products’ and ‘new markets’ were also identified by 14% and 11% of businesses, respectively. Other reasons for expansion or renovation included the ‘need to stay competitive’, and ‘diversification of current products and services’.

Timing of Expansion or Renovation

In terms of the expected timing of expansion or renovation, most businesses offered a window of time rather than a specific date. For example one respondent said, “we would like to expand in the next two years.” With that said, of the 22 businesses that did respond, 8 said they were continually expanding or would like to expand as soon as possible. The remaining businesses noted expansion or renovation plans, but were less certain about the timing.

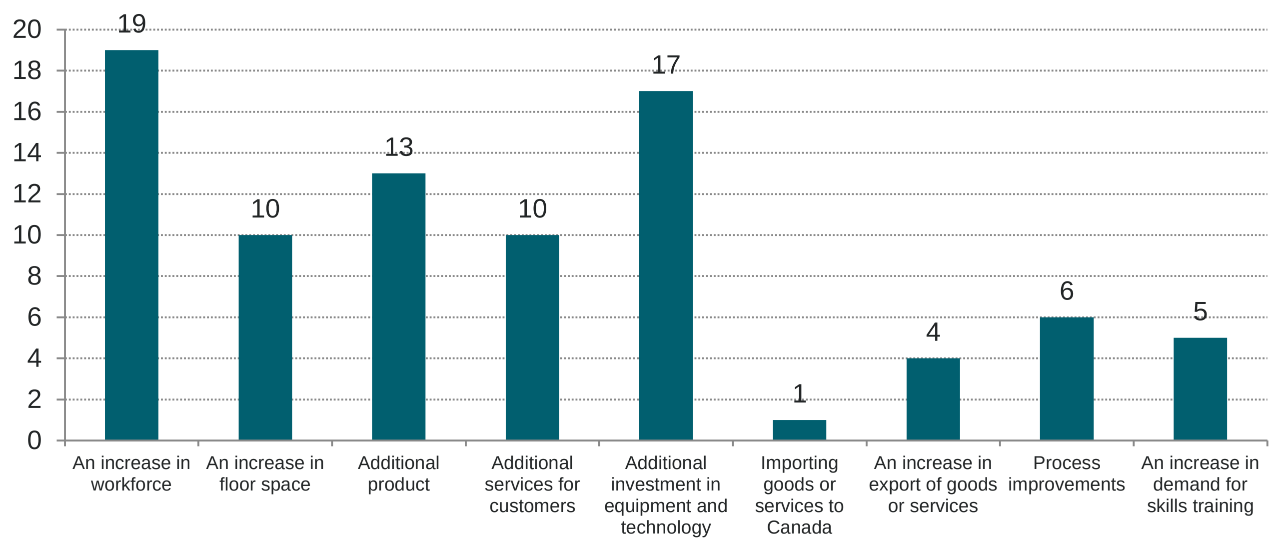
Barriers to Expansion or Renovation

As a follow-up question, businesses were asked: "are you experiencing any problems or difficulties with your expansion/renovation plans?" Half of those who responded said "no" or "none at this time". The other half of respondents spoke to a range of issues that included "access to capital" and the "cost of land". Another farmer explicitly asked if there were government grants to support young farmers with expansion of operations. Others said that finding suitable and available land within the County is difficult.

Outcomes of Expansion or Renovation

When asked: what will your expansion/renovation lead to? Respondents offered a variety of expected outcomes. Figure 15 shows the response rate of those expected outcomes. More than 70% of the 27 businesses that responded indicated that expansion/renovation would lead to an increased workforce; whereas 63% or 17 businesses predicted additional investment in equipment and technology. Further 48% or 13 businesses predicted it would lead to additional product.

FIGURE 15: WILL YOUR EXPANSION/RENOVATION LEAD TO...



Expected Land or Building Requirements for Expansion or Renovation plans

The acquisition of new land or buildings space is not necessarily a requisite of business expansion or renovation. When asked about land or building requirements for expansion or renovation, only 52% or 16 of the 27 respondents indicated that their expansion plans were contingent on additional land or a larger building. One third of the respondents said that they would not require these types of additions; whereas the remaining 15% of respondents were unsure of the requirements.

When asked about specific land or building requirements, 8 businesses indicated the need for more land while 8 also indicated the need for more building space. Only 4 of these business owners were able to provide precise details regarding the scale of their planned expansion or renovation. These requirements ranged from an additional 10 acres of farm land to the addition of 700 square feet of floor space.

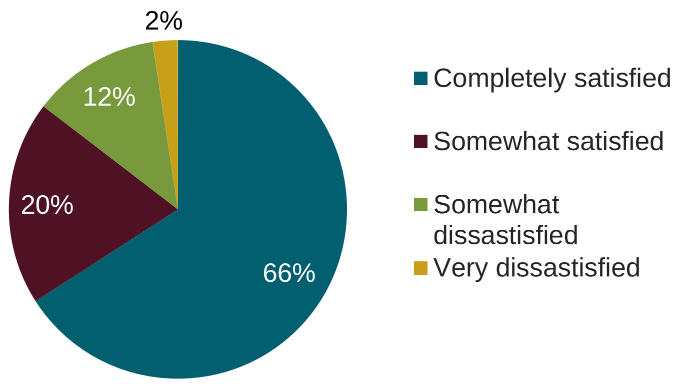
3.8 Business Development

This section presents information concerning the factors that impede or enhance business operations.

Satisfaction with current location

When asked about their satisfaction with their current location of business in Elgin County, 66% of the 41 respondents replied that they were completely satisfied. Figure 16 shows that about one in five respondents were only somewhat satisfied; whereas 14% were either somewhat dissatisfied or completely dissatisfied. Some of the discontent with the County as a location involves its relatively limited population base. This presents a barrier for retail operations. One restaurant operator said, “It is hard to market to the community...when 90% of the people who come to the restaurant are not local.” While this seems obvious, the County may want to consider how it communicates its marketing efforts to the local community.

FIGURE 16: HOW SATISFIED ARE YOU WITH THE CURRENT LOCATION OF YOUR BUSINESS IN ELGIN COUNTY?

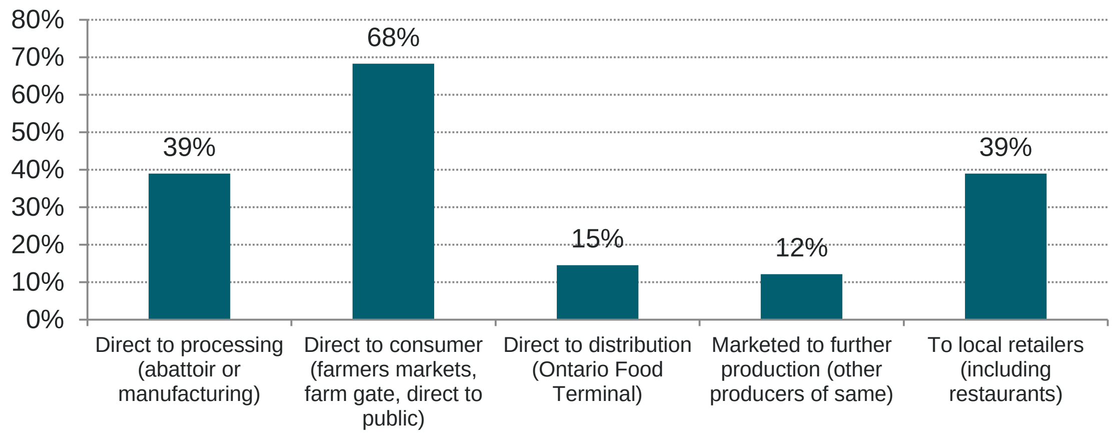


Accessing the Marketplace

Businesses were asked about the ways in which they access the marketplace. Figure 17 shows the complete results. Of the 41 respondents, 68% were engaged in direct marketing to the consumer through farmers markets, or farm gate. Just under 40% of respondents said they either send their product directly to the processor or to the local retailer for distribution. About 15% of businesses send their product directly to the

Ontario Food Terminal or to other producers of the same product for them to then sell. Other means of distribution included the Milk Marketing Board, and a direct sale to major food retailers.

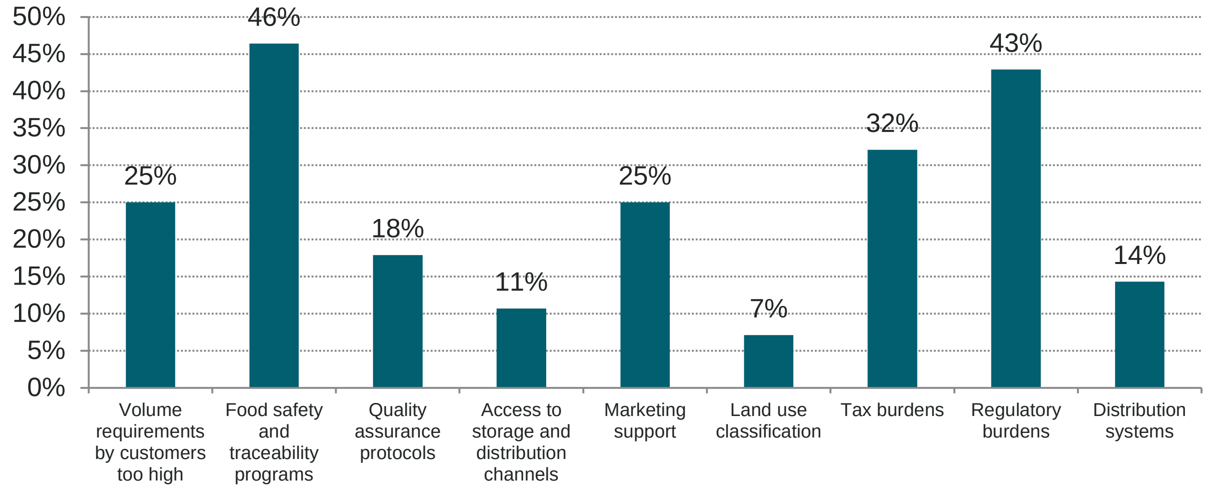
FIGURE 17: METHODS OF MARKET ACCESS



Barriers to Market Access

Businesses were next asked about the barriers they face when accessing the market. Figure 18 shows the complete results. Of the 28 respondents, over 40% listed both ‘regulatory burdens’ and ‘food and safety traceability programs’ as barriers to market access. One farmer said that the food and safety audits are relatively costly, especially for smaller operations. Tax burdens ranked third on the list. A further one quarter of respondents noted ‘Volume requirements by customers’ and ‘marketing support’ as barriers. Providing support to help navigate the regulatory environment should be a consideration for the County.

FIGURE 18: BARRIERS TO MARKET ACCESS



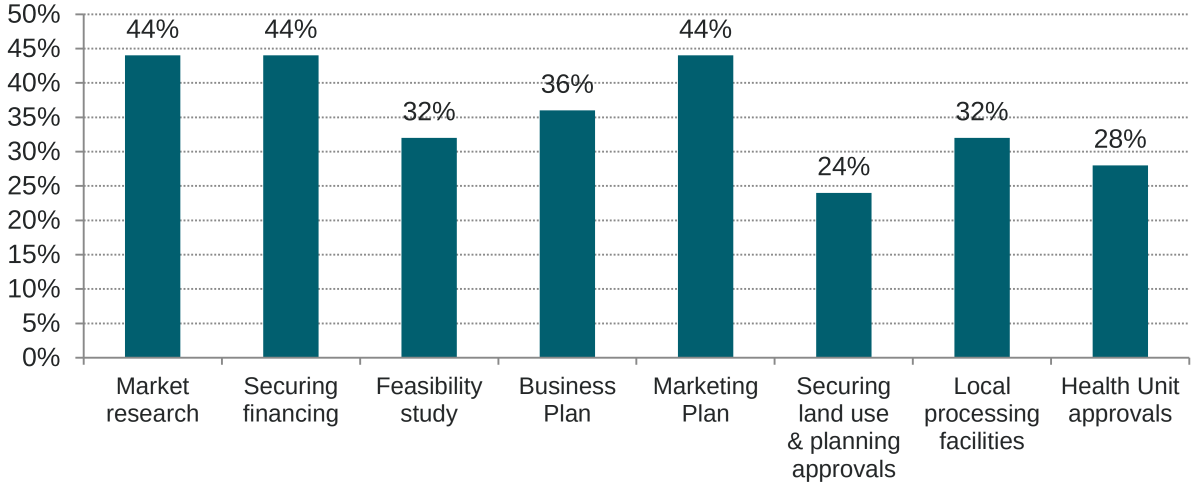
Assessing Interest in Value Added Processing

Elgin County's agri-food sector could be strengthened by the addition of value added processing operations. The development of these operations is a logical extension of the County's concentration of agricultural production. Half of all the companies surveyed expressed interest in the diversification of their business to include value added processing. Of these 21 businesses, there is broad based interest from each subsector (except for those operations dedicated to support activities). Production farmers exhibited the highest level of interest with 14 positive responses. It is also notable that within this sub-sector, livestock, crop, and horticulture production were each well represented. Once again, this speaks to the mass appeal of this form of business development.

Supporting the adoption of Value Added Processing

Figure 19 shows the range of information and types of assistance that businesses require to consider adding value added processing to their existing business. The County is considered well positioned to support businesses in a number of these areas. The three most commonly cited forms of assistance include: securing funding, conducting market research and developing a marketing plan. However, as one respondent noted, to seriously consider processing activities, “I would need support in all of these areas”. This sentiment is reflected by the notable response rates in each category.

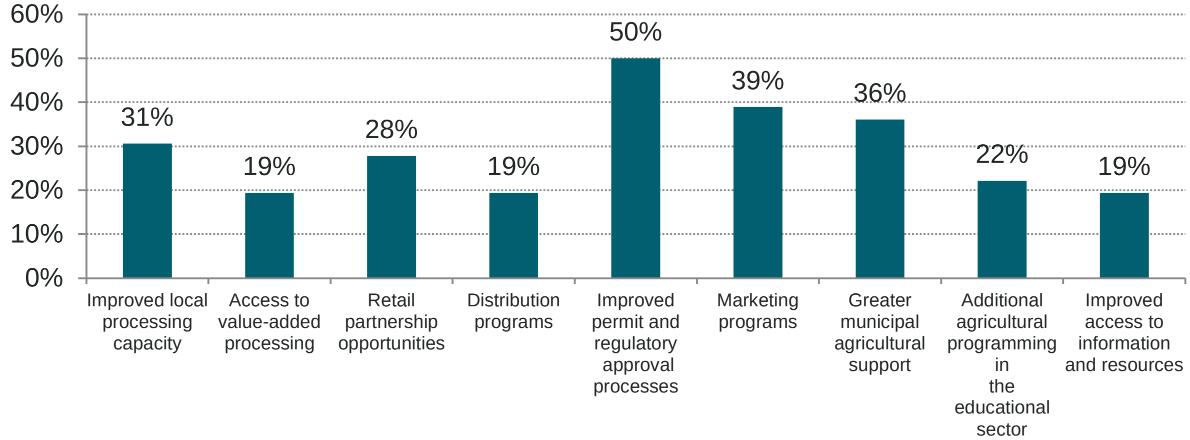
FIGURE 19: INFORMATION/ASSISTANCE REQUIRED TO INTEGRATE PROCESSING AS PART OF YOUR BUSINESS?



Tools to Support Business Growth

Figure 20 shows how respondents ranked the range of tools considered important to the future growth of local business operations. Of the 36 businesses that responded to this question, exactly half listed 'improved permit and regulatory approval process' as a key to future growth. 'Marketing programs' and 'municipal agricultural support' were also commonly noted by businesses. While the County does not have the ability or authority to address all of these needs, it is in a position to influence thinking on these issues, particularly at the local level. In the case of improved regulatory approval processes, drawing attention to the impact of delays or other related issues is a role for the County. As the County assumes more planning responsibilities, this provides further opportunity to educate local municipalities on the need to streamline approval processes.

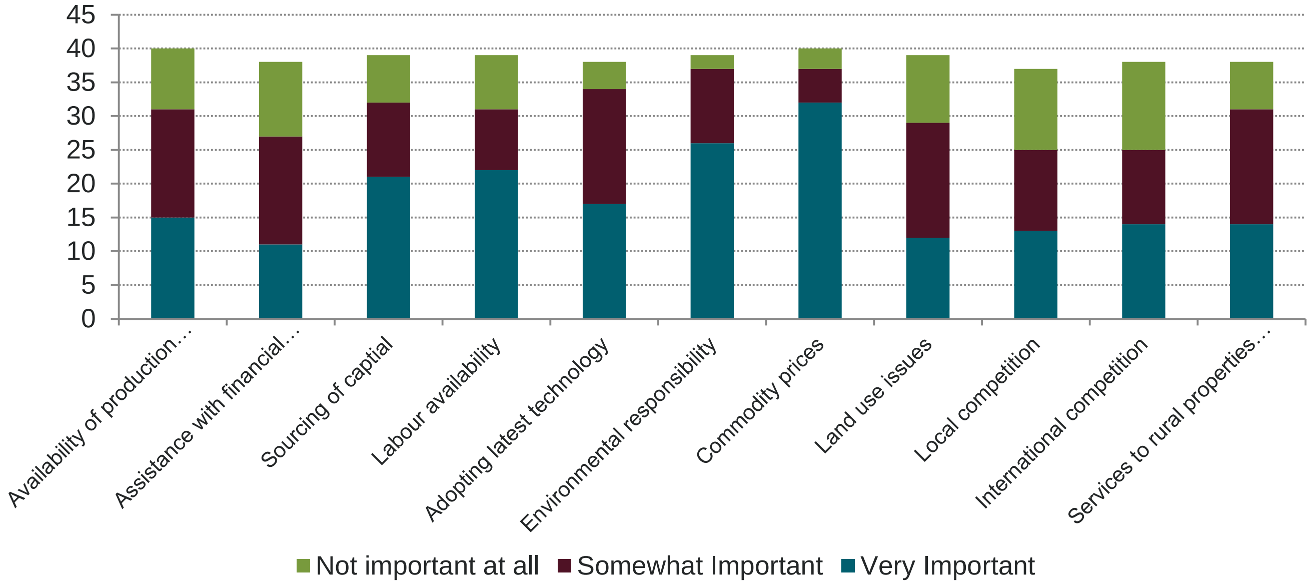
FIGURE 20: TOOLS THAT SUPPORT BUSINESS GROWTH



Key Considerations for Business Operations

The Agri-food sector is subject to several unique business considerations. Figure 21 reflects a range of factors considered important to business operations. 41 businesses shared their opinions as to the degree of importance and ranked each of these factors as very important, somewhat important, or not important at all. The most important consideration for agri-food operations is ‘commodity prices’, noted by 80% of respondents as very important. ‘Environmental responsibility’ was described as at least somewhat important by 95% of businesses. ‘Labour availability’ and’ sourcing of capital’ ranked third and fourth on the list, respectively. It is noteworthy that each of the 11 business factors was considered at least somewhat important by 65% of the sample. In other words, none of these considerations should be ignored in the context of planning for the long term sustainability of this sector.

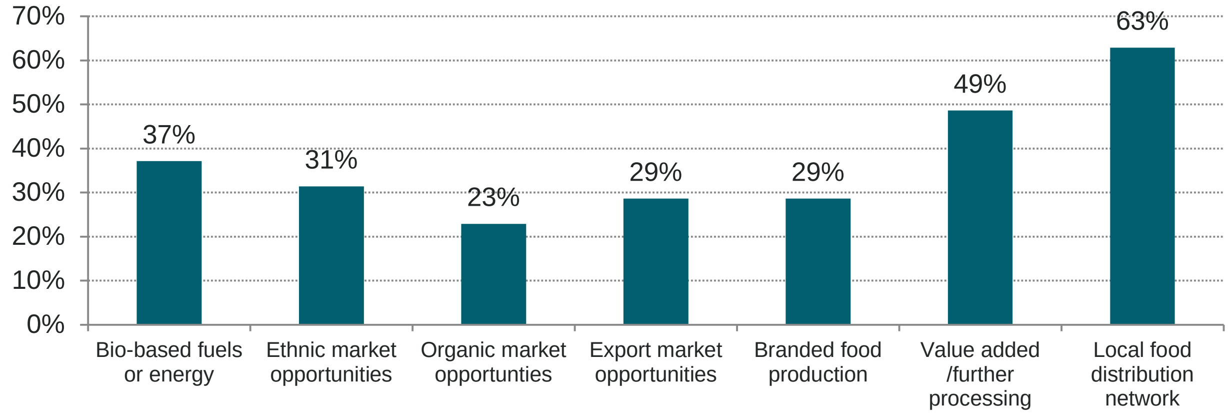
FIGURE 21: THE IMPORTANTANCE OF SELECTED BUSINESS FACTORS



Gauging Interest for Opportunities to Expand the Agri-food Sector

In an effort to probe potential areas of expansion in the Agri-food sector, participants were asked about their interest in seven different types of opportunities. These opportunities pertain to individual businesses or to the County's Agri-food sector at large. Of the 22 businesses that responded, 63% indicated interest in the creation of a local food distribution network. While interested, some participants also voiced concerns. One farmer said that "that these networks are very difficult to setup", while another distributor said that a local network would be an afterthought for farmers. This is a concern because some farmers contribute sub-standard (or rotten) product to these networks. Value added processing received an endorsement with about half of respondents showing interest. The remaining areas of opportunity, while not ignored, were not met with the same level of enthusiasm. Figure 22 presents the complete breakdown of results.

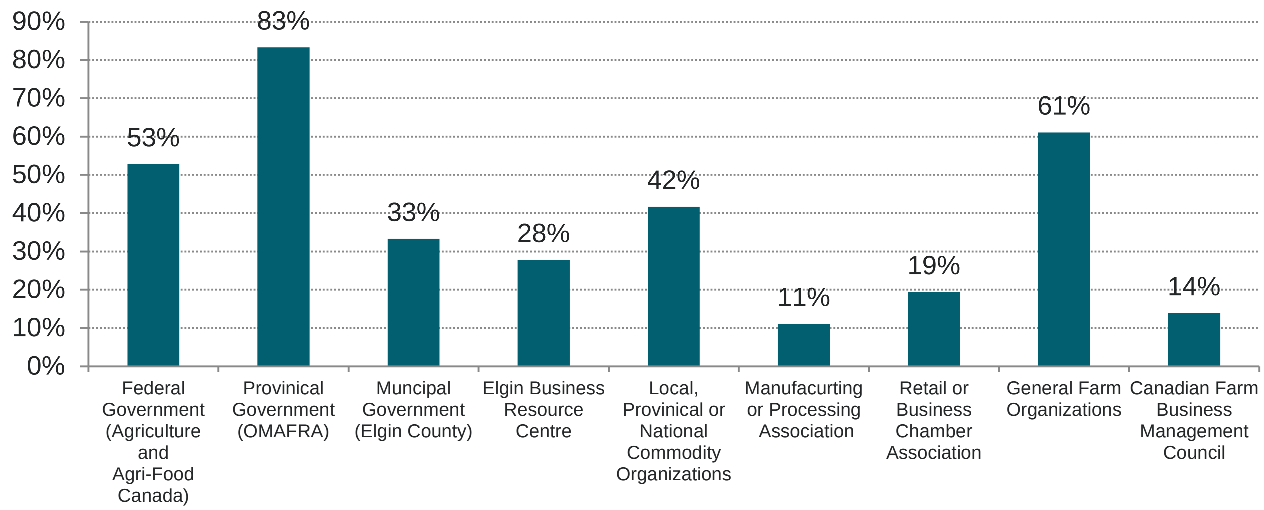
FIGURE 22: INTEREST IN AGRI-FOOD SECTOR EXPANSION OPPORTUNTIES



Sources for Information and Support for Businesses

The concentration of responses oriented towards farming specific information or supports is not surprising given that nearly 70% of the surveyed businesses are directly involved with farm related production activates. Accordingly, the Ontario Ministry of Agriculture, Food and Rural Affairs was the most commonly listed organization for support or information with 83% or 30 out of 36 responses. The General Farm Association was also well represented. On the other hand, 28% of respondents reported Elgin County or the Elgin Business Resource Center as top sources for information or support. Other useful organizations include: the Dairy Board, Christian Farmers, Elgin Business Women's Network, and the Canadian Organic Council.

FIGURE 23: ORGANIZATIONS MOST USED FOR INFORMATION OR SUPPORT BY BUSINESSES



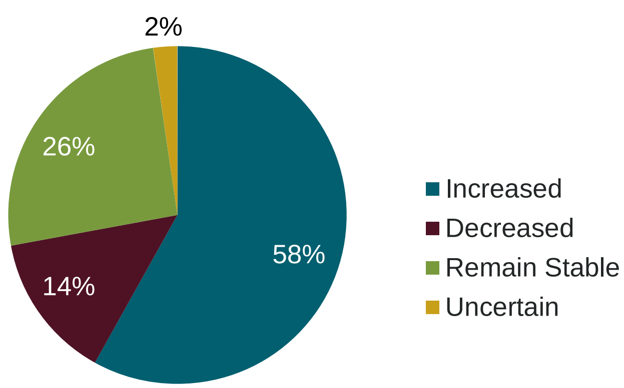
3.9 Business Development - Financial

This section presents participants' responses to questions regarding business financials, expected sales estimates, and financial planning.

Business Revenues over the last year

Businesses were asked about the level of sales during the past year. Figure 24 shows the complete results. Of the 41 respondents, 58% reported having increased sales in the past year, while 14% experienced a decrease in sales. About 26% of the respondents said their sales remained stable, while 2% were unsure whether their sales had increased, decreased or remained stable over the past year.

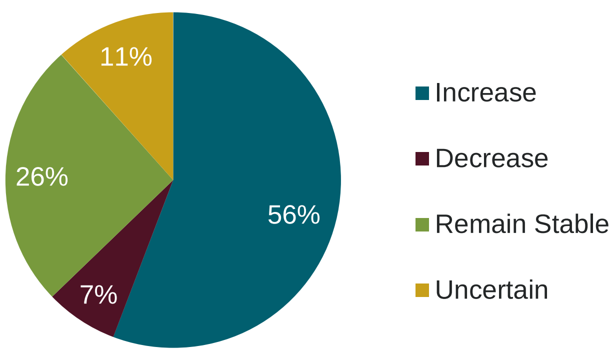
FIGURE 24: TRENDS IN BUSINESS SALES OVER THE PAST YEAR



Projected Business Revenues in the next three years

Figure 25 shows the product sales predictions of the businesses over the next three years. Of the 43 respondents, more than half or 56% anticipated increases in sales; however, 7% of businesses predicted that their sales would decrease over the next three years. Additionally, 26% of businesses predicted that sales would remain relatively stable and 11% were uncertain about whether sales would increase, decrease or remain the same over the next three years.

FIGURE 25: SALES PREDICTIONS FOR THE NEXT THREE YEARS

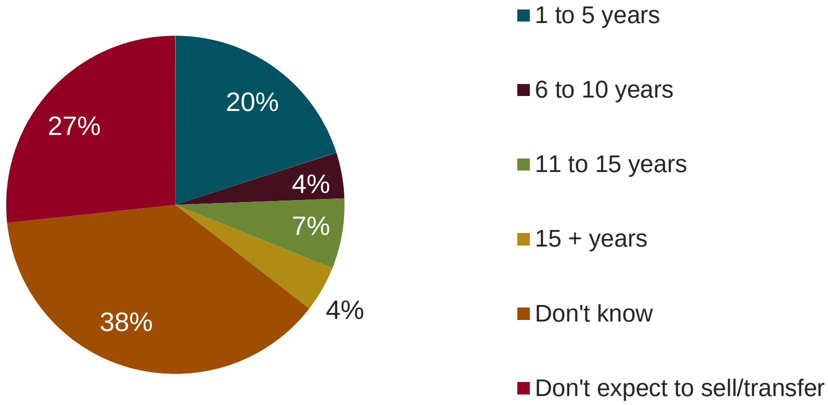


Expected Timeframe for sale or transfer of some or all farm assets

Figure 26 shows the predicted number of years that businesses expect to have sold or transferred some or all of their farm assets. A total of 45 businesses responded to this question. Of the sample, 12 businesses (27%) expected to retain their assets, while 9 anticipated selling or transferring their assets within the next year to five years. The majority of the participants who answered this question were uncertain as to whether they would sell or transfer their assets, while two businesses anticipated selling or transferring their assets within 6-15+ years.

In addition, the respondents who did anticipate selling or transferring their assets (either in the long or short term), were asked whether they anticipated selling or transferring the farm assets to family members or to an unrelated third party. The results showed that the majority of respondents (11) anticipated transferring the farm assets to family members, while 7 anticipated selling to an unrelated third party.

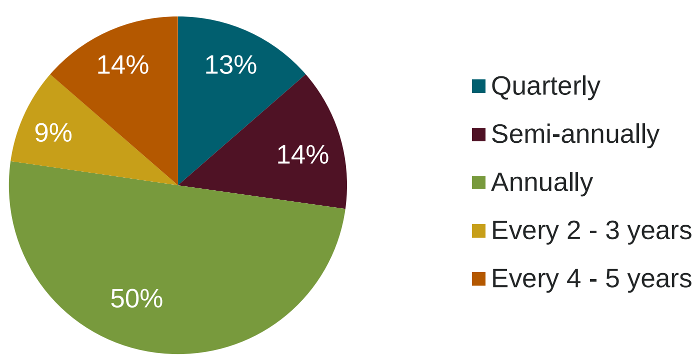
FIGURE 26: EXPECTED TIMEFRAME FOR SALE OR TRANSFER OF SOME OR ALL FARM ASSETS



Frequency of Financial Planning

In an effort to determine how well respondent businesses planned for the future, respondents were asked whether or not they had a financial plan for their businesses. In total, 37 businesses answered this question. The results indicated that the majority (23 or 62%) of businesses reported having a financial plan, while 14 (38%) admitted that they did not have a financial plan for their business.

FIGURE 27: HOW OFTEN DO YOU UPDATE YOUR FINANCIAL PLAN?



Of the 62% of businesses that responded to having a financial plan, Figure 27 shows how frequently financial plan updates are carried out. Of the 23 respondents, more than half reported that they carried out updates annually, while approximately one quarter of the businesses reported conducting updates to their financial plan quarterly or semi-annually. Additionally, 14% claimed that they carried out updates every two to three years and 9% did their updates every four to five years.

3.10 Workforce Development

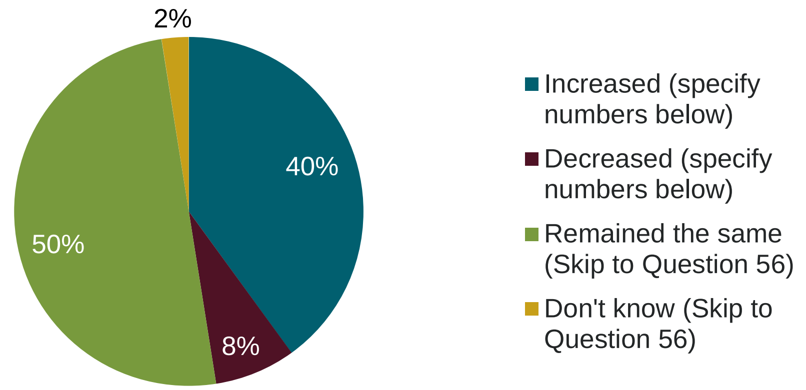
This section presents responses to questions regarding workforce development and training in terms of those businesses surveyed.

Changes to Employment Levels

To understand employment trends in the surveyed businesses, participants were asked about changes to their company's employment levels over the last three years. Figure 28 shows the aggregate responses to this question, which are generally positive. Of the 40 respondents, 16 or 40% of respondents reported adding to their workforce while 50% reported no change in employment over the last three years. The remaining 10% was split between three businesses that decreased their workforce and one respondent that wasn't sure.

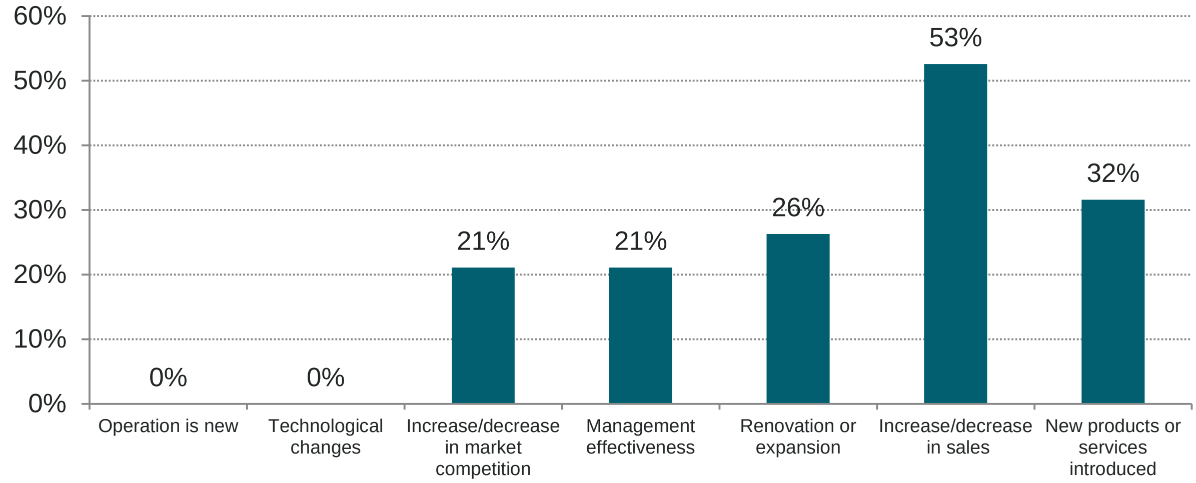
Of the businesses that added to their workforce, the majority added one to two employees. While this order of magnitude may not be viewed as significant, it may in fact represent the doubling of the company workforce based on Elgin County's current business profile. Operations involving seasonal employment, reported hiring 10 more workers. Of the three businesses that reduced staff, two reported cutting their number of pickers by 10 and 20.

FIGURE 28: CHANGES TO BUSINESS EMPLOYMENT IN THE PAST 3 YEARS



As a follow-up, respondents were asked about the factors that necessitated this change in employment. Figure 29 highlights the most readily cited of these factors. Over half of the 19 respondents indicated that an 'increase or decrease in sales' was responsible for the change in employment levels. Next with 42% of respondents, an 'increase or decrease in market share' was noted. Ranking third, with 32%, was 'new products or services'. The remaining factors were each cited by 4 or 5 businesses.

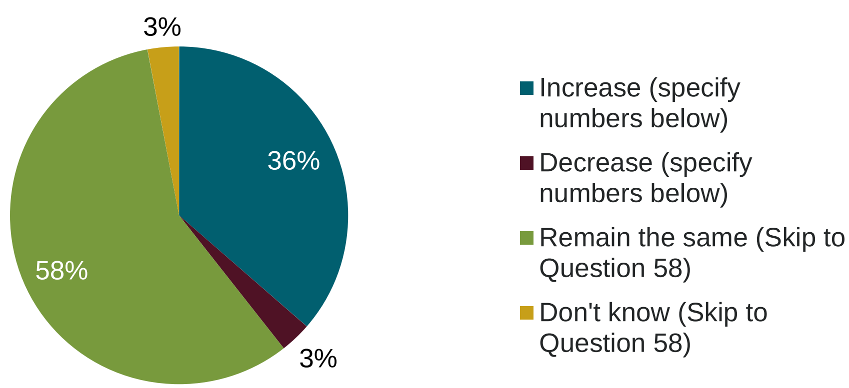
FIGURE 29: FACTORS RESPONSIBLE FOR CHANGE IN EMPLOYMENT



Participants were also asked about their expectations for workforce growth or decline. Figure 30 shows the aggregate responses to this question, which are generally positive. Of the 33 respondents, 12 or 37% expected to add to their workforce. These companies expect to add between two and nine employees. A further 58% of businesses reported no expected change in employment over the next three years.

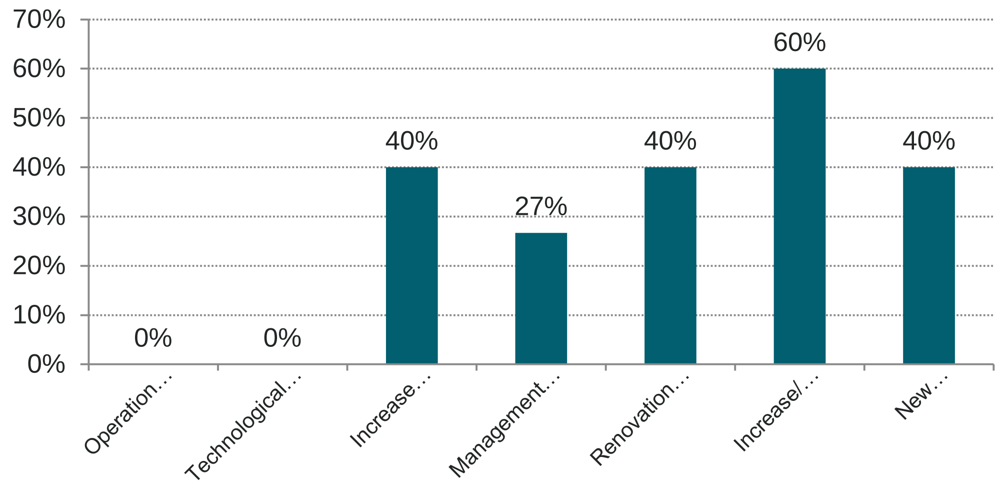
Only one company expected to reduce their workforce in the next three years. This business is a horticulture producer that has operated in West Elgin for over 25 years. They cited uncertain markets and low commodity prices for the decline of their businesses production levels. This company requests assistance in the development of a business plan.

FIGURE 30: EXPECTED CHANGES TO BUSINESS EMPLOYMENT OVER THE NEXT 3 YEARS



As a follow-up, respondents were asked about the factors that contributed to their anticipated addition or reduction of employees. Figure 31 highlights the most commonly listed factors. Over half of the 15 respondents indicated that an 'increase or decrease in sales' would be responsible for the change in employment levels. The next three most commonly cited factors, with 6 respondents, were an 'increase/decrease in market competition',' renovation or expansion', and 'new products or services introduced'.

FIGURE 31: FACTORS RESPONSIBLE FOR ANTICIPATED CHANGE IN EMPLOYMENT



Where do Agri-food sector employees live? Are they from Elgin County?

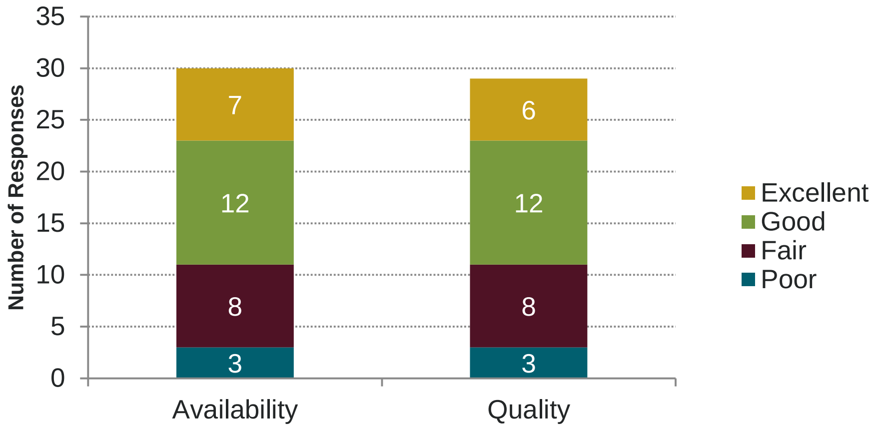
In an effort to profile Agri-food sector employees, businesses were asked: "How many of your workers are from Elgin County?" Of the 29 respondents, 13 or 45% indicated that all of their workers live in the County. A further 7 businesses or 24% of respondents said that over 80% of their employees live in the County. The remaining 30% of businesses offered the exact numbers of their employees that live in the County. Unfortunately, the precise number of total staff at these companies is unknown. Consequently, it is impossible to derive the residual number of employees that live outside of the County. Nevertheless, outside of seasonal workers, it appears as if the majority of workers in this sector are from within the County.

Availability/Quality of workers within the of Elgin County

Businesses were asked to rate both the availability and quality of workers within Elgin County. Figure 32 shows the responses to this question. In terms of the availability and quality of workers, the majority of respondents (62-64%) indicated that the local workforce was good or excellent in terms of meeting their operational needs. A quarter of businesses reported that the workforce was 'fair', while three businesses considered the workforce 'poor'. The three businesses, that considered the labour force poor, are located in three different areas of the County (Bayham, Malahide, and West Elgin).

Two of these businesses are engaged with production farming while one is a food manufacturer.

FIGURE 32: AVAILABILITY AND QUALITY OF WORKERS AS RATED BY EMPLOYERS



Businesses and the Temporary Foreign Workers Program

Across Ontario many farmers utilize the Temporary Foreign Workers Program to provide a cost effective source of seasonal labour. Of the 26 respondents to this question, 22 or 85% said they do not employ workers using the Temporary Foreign Workers Program. The four businesses that reported using this program employ between 12 and 18 workers for labour intensive activities.

Business Owner and Employee Training

Survey participants were asked about their interest in a variety of training areas. Generally speaking, the overall level of interest in training opportunities was rather limited. Only 15 participants responded to this question, which is only a 27% response rate. Many participants noted that they were not interested in external training options or have no time for training. Nevertheless, of those respondents who demonstrated interest, the majority (67%) were interested in 'health and safety and WHMIS/WSIB training'. 'Sales and marketing' and 'quality assurance' were also notable areas are interest.

3.11 Local Community

This section sheds light on business owners' perceptions of Elgin County as a place to do business. This discussion presents an assortment of qualitative information. The information provided is not intended to be statistically representative, yet the depth and quality of these responses are instructive for the continued improvement of the Agri-food sector within Elgin County.

Advantages of doing Business in Elgin County

Participants were asked to list three of the main **advantages** of Elgin County as a place to do business. The most commonly noted advantages are listed below.

- The **affordability** of land in the County
- Geographic **position relative to market** including Elgin County's proximity to urban centers such as London
- The **County is a thoroughfare**, presenting opportunities to attract customers
- **Proximity to the 401** highway facilitates transport to market
- **Availability of labour**
- **Prime agricultural conditions** in terms of both soil and climate
- The County has a **good water supply** with **well serviced lands**
- **Strong agriculture grower base**, which has led to **regional economies of scale** and a grouping of complementary services.

Disadvantages of doing Business in Elgin County

Participants were asked to list three of the main **disadvantages** of Elgin County as a place to do businesses. This question was met with a range of responses, but by far the most regularly cited complaint related to the "**extremely high taxes** on agricultural land". Respondents also suggested that these high taxes have not resulted in an elevated level of municipal services. The other perceived disadvantages of Elgin County are listed below.

- High development costs
- Distance to market and high shipping/ transportation costs
- A small population base with relatively low household incomes
- Lack of high speed internet in rural areas
- Few attractions to draw in tourists
- Few active supports for small businesses and young farmers

Programs to address Elgin County's perceived disadvantages

As a follow-up question, participants were asked to suggest programs that might address Elgin County's disadvantages. The majority of participants did not respond to this question. Nevertheless, several themes emerged from those participants that did respond. The overriding theme centered on **streamlining regulations** as to allow business owners a more 'user friendly experience'.

In this vein, one respondent noted that the Elgin Resource Business Center is not always helpful. In one instance a farmer approached the Center regarding the Sand Plains Community Development Fund. Staff at the Center suggested that there was no funding available for his operations. The farmer voiced concern at the funding process as "we are young farmers who are running an organic farm and cannot see the support from the County/province that we so often hear on the news is available." This case speaks to several comments that requested a **stronger support system for present businesses**.

Further comments suggested a **reassessment of the tax base** on a "more fair schedule" and the promotion of an **active local food program/group**.

4 Next Steps

A number of key themes have emerged from the survey results. These themes are presented below along with suggested next steps for the County of Elgin. In most cases, the recommended next steps echo action items already articulated in the following reports:

- County of Elgin's Economic Development Strategy and Action Plan 2011-2014
- Agritourism Development Strategy and Marketing Plan for Southwestern Ontario Tourism Corporation
- Elgin County's Agricultural Profile (2009)

Improved permit and regulatory approval process

An 'improved permit and regulatory approval process' was commonly cited by businesses as a key to future growth. 'Marketing programs' and 'municipal agricultural support' were also commonly noted. While the County does not have the ability or authority to address all of these needs, it is in a position to influence thinking on these issues, particularly at the local level. In the case of improved regulatory approval processes, drawing attention to the impact of delays or other related issues is a role for the County. As the County assumes more planning responsibilities with the approval of its Official Plan, there is further opportunity to educate local municipalities on the need to streamline official plan policies and local zoning regulations.

Next Steps:

- Support and provide guidance for local municipality's to streamline the development approvals process including: zoning/rezoning, building permit application, severance building application etc.
- Provide business support to help navigate the regulatory environment. This could take the form of an online Business Development Guide to help navigate the local and provincial permitting process.
- Promote the opportunities associated with the recent Elgin County 2013 Official Plan (draft) amendments.

Support for Succession Planning, Business Planning

Elgin's Agri-food sector is dominated by producers, but many of these operators do not appear to be thinking long term about their businesses. One third of all respondents indicated that they have no succession plan, business plan, or marketing plan in place.

Moreover, many operators have been actively farming in the area for more than 35 years. This suggests that succession planning may become an issue for the long term growth and sustainability of the sector. Only one quarter of those surveyed had been doing so in Elgin for less than 10 years.

Next Steps:

- Build on the actions associated with *"Develop understanding and pride in agriculture"* from the County of Elgin Economic Development Strategy 2011-2014.
- Work with the Elgin Business Resource Centre to develop targeted workshops and reference materials to support succession and business planning for the County's agricultural sector.

Value added processing

The increasing range of speciality crops that are being grown in Elgin suggests the potential to diversify the County's agriculture base and further development value added opportunities. Half of all the companies surveyed expressed interest in the diversification of their business to include value added processing.

Next Steps:

- Continue the suggestions and actions outlined in the County of Elgin's Economic Development Strategy and Action Plan 2011-2014 and Elgin County's Agricultural Profile (2009).
- Investigate options for a value-added food study that gives consideration to the growth prospects for organic food, niche crops, vineyards, slow food industry, small and medium scale food processing etc.
- Support the development of value-added businesses by establishing a relationship between the Elgin Federation of Agriculture, local farmers and the Niagara College Brew Master program.

Local food distribution network

Elgin County's agri-food sector could be strengthened by supporting a local food distribution network. By leveraging the 'Buy Local, Buy Fresh Elgin Campaign, this network could increase the supply of fresh, seasonal produce across the County and further educate area businesses, institutions and community organizations of the opportunities associated with local food.

Next Steps:

- Contact Erie Innovation and Commercialization to access research conducted on local food distribution studies.
- Publish advice and guidance on the best ways to tackle distribution issues. This should include best practice research into existing projects throughout the County.

Enhanced Marketing

In several areas of the survey, respondents indicated a need for marketing support for their operations. One third of respondents noted that they are without a marketing plan while others noted that a lack of marketing support was a barrier to improving their business.

Next Steps:

- Encourage local providers to leverage the County's marketing efforts.
- Continue to engage local providers and leverage the marketing efforts of the 'Buy Local, Buy Fresh' Elgin Campaign, Savour Elgin, Southwest Ontario Tourism Corporation, and the Ontario Culinary Tourism Alliance.

Online Toolkit for Agri-businesses

Another reoccurring theme in the survey responses highlighted the need for a more centralized location for key information relating specifically to agri-food businesses. This toolkit could address several of themes described in this section. This toolkit should also leverage Ontario's Southwest Agritourism Toolkit.

Next Steps:

Building on the efforts outlined earlier, develop an online toolkit with information pertaining to the following areas:

- Government grants, programs and other sources of funding for agri-businesses
- Business Development Guide
- Opportunities associated with the recent Official Plan amendments
- Opportunities for new investment in the County's agricultural sector such as vineyards, breweries, organic farming etc.
- Succession Planning, Business Planning workshop information
- Advice and guidance on the best ways to tackle distribution issues. This should include best practice research into existing projects throughout the Country.